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CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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EASTERN EUROPE

1. Large new Hungarian blast furnace inaugurated: The much-publicized new blast furnace at Diosgyor in northeastern Hungary was inaugurated on 11 May. The principal speaker was Hungarian Politburo member Gero, who stated that the new furnace would increase Hungarian pig iron production by more than one third, with a consequent increase in steel production and resultant abundance of consumer goods as well as a stronger country. (R FBIS, 13 May 52)

Comment: The new blast furnace, begun last July, was designed to be the largest in the country. The Diosgyor plant, reportedly employing twenty thousand workers, allegedly sends 47 percent of its steel to the USSR.

Hungarian steel production in 1951 amounted to 800,000 metric tons, while pig iron production was estimated at 450,000 tons.

2. Polish Government gains new collectivization weapons: A Polish Government resolution published on 13 May places all agricultural-producer cooperative machinery centers under state control.

The American Embassy in Warsaw comments that by taking over control of the entire farm machinery pool, the Polish Government gains a potent weapon for pushing its agricultural collectivization program. Individual peasants needing farm machinery will have to meet whatever conditions the Government prescribes in order to obtain use of the necessary machinery. (R Warsaw 655, 16 May 52)

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Comment: An additional factor motivating the government's adoption of this resolution is the fact that tractor production goals have not been attained by Polish industry. This failure appears to have slowed the progress of the collectivization program.

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FAR EAST

3. Gas mask issue to Chinese Communists seen as propaganda maneuver: Sixteen recently captured Chinese Communist soldiers reveal that they were either issued gas masks or instructed in the use of anti-gas field expedients during April 1952, according to Far East Command. Three possible reasons advanced by FECOM for such enemy preparations are that the Communists anticipate UN use of gas, that they intend to wage chemical warfare, or that the gas masks are to provide "proof" for enemy propaganda charges of the United States using CW in Korea.

FECOM concludes that available evidence fails to indicate enemy intentions of employing chemical warfare in the immediate future. (S CINCFE Telecon DA TT 5831, 20 May 52)

Comment: The issue of gas masks, confirmed in prisoner interrogations, probably is intended to support Communist charges of American use of chemical warfare agents in Korea.

While specific Communist propaganda allegations of US use of biological warfare ended in early April, a continuation of the American "atrocities" theme has been provided by recent charges that the United States has used CW agents in combat.

Radio Pyongyang on 24 April detailed 33 incidents of alleged use of chemical warfare occurring between 27 February and 9 April, and again on 7 May charged that the United States used CW on 22 and 25 April.

4. Further shipments of Ceylonese rubber to China: The Polish vessel Kilinski departed from Colombo, Ceylon, on 19 May with 4,700 long tons of rubber for China.

Another Polish ship, the Jednosc, is expected to arrive next week to pick up more rubber for China. (C Colombo 628, 19 May 52)

Comment: Inability to find shipping space has prevented the Chinese from getting larger shipments of Ceylonese rubber. To overcome this difficulty, the Communists are now diverting Orbit vessels to Ceylon. The Jednosc will be the sixth Orbit vessel--five Polish and one Russian-- to pick up Ceylonese rubber for China thus far in 1952. No Western-flag vessels have engaged in this trade.

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5. Trade slump in Hong Kong continues: The trade depression which has prevailed in Hong Kong since December 1951, continues, although the American Consul General reports some indications of improvement. April statistics show a further reduction in Hong Kong's over-all trade, but commerce with China increased 25 percent. There is no sign, however, of a wholesale resumption of Communist purchasing. (R Hong Kong 3072, 16 May 52)

Comment: A sharp decline in Chinese Communist purchases from Hong Kong since late 1951 has resulted in swollen inventories and widespread pessimism among businessmen in the Colony. The slump, however, has not yet caused panic in commercial circles. The local stock market remains firm, new construction continues, and there is little evidence of an exodus of capital.

6. "Third force" plan to approach Chinese Nationalists reported: A "third force" leader in Hong Kong was reportedly attempting last month to form a committee to approach the Chinese Nationalists for terms on which they might return to Formosa and participate in the government. (S/Control - US Officials Only, [REDACTED])

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Comment: Other "third force" figures continue to make plans to overthrow the Nationalists rather than to join them.

These ex-Nationalist leaders do not in fact constitute a "third force." They have no capability at present for overthrowing the Nationalists; nor is it likely that they would be given any significant power if they were to join them.

7. Rumors of uprising in Thailand unfounded: The American Army Attache in Bangkok reports that a number of reliable sources had indicated to him that rumors of an imminent uprising led by junior military officers were unfounded. (S MA Bangkok, 190800Z and 200200Z May 52)

Comment: It was on the basis of these rumors that Thai Government officials excused their inability to attend a reception in honor of US Armed Forces Day. This excuse now appears to be a fabrication.

8. Indonesia seeks diplomatic relations with Japan: Information Minister Mononutu announced on 17 May that Indonesia will open diplomatic relations with Japan. He specifically

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declined to state whether Indonesia would ratify the Japanese Peace Treaty. (C Djakarta 1680, 19 May 52)

Comment: The former cabinet was severely criticized for signing the Japanese Peace Treaty. Critics considered the government's action a concession to the Western bloc.

The Prime Minister has implied that the peace treaty must be re-examined, and Parliament has indicated a reluctance to ratify the treaty until Indonesia has negotiated what it considers adequate reparations from Japan.

NEAR EAST - AFRICA

9. Turkey sees Soviet attack on Iran or Iraq as NATO problem: Turkish President Bayar and the Chief of the Turkish General Staff told the American Ambassador recently that the Soviet Union would have to defeat or neutralize Turkey before conquering Iran and Iraq. Consequently a Russian attack on Iran or Iraq would force NATO, of which Turkey is now a member, to decide whether or not to declare war.

The President added that Turkey would be prepared to fulfill its NATO obligations, but he emphasized that it would be useless for his country to act alone against the Soviet Union. (S Ankara 1267, 17 May 52)

Comment: Turkey, despite its membership in NATO, still fears that the West will sacrifice the Eastern Mediterranean in the interests of Western Europe. President Bayar's remarks appear to be part of the continuing Turkish effort to convince the West that the Eastern Mediterranean is vital to European defense.

10. South African Government restricts left-wing labor leader: Acting under the Suppression of Communism Act, the South African Government has ordered E. S. Sachs, white leader of the trade union movement's left wing, to resign as general secretary of the powerful Garment Workers Union. Sachs is barred from union membership, may attend only religious and recreational meetings, and may not leave Transvaal Province for two years. (U Reuters Johannesburg, 19 May 52)

Comment: Sachs has been the most prominent trade union advocate of white and non-white opposition to the Nationalists'

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segregation program. His affiliation with the Communist Party is less certain than that of the top South African Indian agitator similarly restricted last week.

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WESTERN EUROPE

11. East German Government may strengthen control over labor: Two projected East German labor decrees are designed to introduce a stricter disciplinary code for industrial workers and to circumvent existing labor courts of arbitration by forming factory commissions dependent on political directives. "Honor courts" would be used to publicize good examples of work and reward achievements, and also to "punish negligent and undisciplined workers and employees by appropriate measures." Workers would be made responsible for defective production, with fines to run as high as one month's salary. The work-norm system contemplated under the decrees would require of the worker faster and more intense performance in order to avoid reduction of his wages. (C Bonn, 2828, 16 May 52)

12. West German Social Democrats attack EDC treaty on constitutional grounds: The Social Democratic Party, which contends that any West German contribution to Western defense will require an amendment to the constitution, and hence approval by two-thirds of the parliament, has formally petitioned the Federal Constitutional Court to rule on the legality of German participation in the European Defense Community. The court has agreed to consider the case on 10 June.

The Social Democrats are now also trying to force a parliamentary debate on the Allied-German contractual agreement on 23 May, three days before the scheduled signature, by invoking a provision of the constitution for a special parliamentary session on the demand of one-third of the members. (S Bonn 2893, 17 May 52)

Comment: Several months ago Allied officials were seriously worried that the Federal Constitutional Court might support the Social Democrats' position and thus force a general election or prevent German participation in the EDC. Several prominent German jurists, however, have since then expressed the opinion that a simple majority in the parliament is sufficient to ratify the treaty.

13. French Cabinet balks at European Defense Community signature: There is considerable sentiment within the French Cabinet for postponing signature of the European

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Defense Community treaty and the contractual agreement with Germany, according to Under Secretary Maurice Schumann. He states that a full cabinet session will decide on 21 May whether Foreign Minister Robert Schuman will be authorized to sign.

Under Secretary Schumann expects that the Foreign Minister will be given the authority, but he indicated that Premier Pinay and other ministers are inclined to look upon the European Defense Community as a complicating factor in the government's domestic program. (S Paris 7169, 20 May 52)

Comment: Even if Schuman receives cabinet authorization on 21 May, the tripartite and quadripartite meetings scheduled to precede signing will have to proceed without a hitch if both instruments are to be accepted by 26 May.

This is a critical moment for Pinay, since the French Assembly has just reconvened and he is staking the life of his cabinet on parliamentary approval of a large bond issue.

14. Italy unlikely to meet current military production goals: An analysis of data for the third quarter of the current fiscal year indicates that Italy is not likely to reach its military production goals. There has been a sharp decline in the rate of defense orders for hard goods and a 25 percent decline in the rate of deliveries. Nevertheless, the monthly rate of defense production is still substantially above that for the previous fiscal year. (S Rome Joint Weeka 20, 16 May 52)

Comment: Political considerations have prompted the Italian Government to retard its defense program until after the 1953 national elections. It wants to avoid the appearance that defense expenditures are too large in comparison with civil expenditures.

15. Italy pessimistic as to benefits of trade agreement with Germany: The Italians' recently concluded trade agreement with Germany does not encourage their hope that a rise in exports to Germany would offset the decline in exports caused by British and French trade restrictions. Import quotas agreed upon by Germany on horticultural products were disappointing to Italy. Furthermore, Italy's trade deficit with Germany in the first quarter of 1952 was considerably

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larger than in the same period of past years. (S Rome Joint Weeka 20, 16 May 52)

Comment: Italy's trade experts are disturbed about its long-term trade outlook. The trend toward greater restrictions in international trade poses difficult problems contributing to the country's trade imbalance with the EPU and its growing dollar deficit. Italy has been increasingly unable to obtain the imports it requires from the EPU area, and hence forced to purchase such items from the dollar area.

16. High-level Communist discusses Rome elections of 25 May:
A member of the Communist Central Committee recently stated that the Communist electoral front in Rome known as the "Citizens' List" may well turn out to be an arrangement which is a basic contribution to future party policy. The Communist official emphasized the Vatican's differences with the Christian Democrats, but acknowledged that Premier de Gasperi has momentarily prevented a shift of his party to the extreme right, which would have been "most favorable" to the Communist campaign. The neo-fascist Italian Social Movement, he said, has gained "considerably" throughout the city.

The Communist official said excessive confidence by his party must be avoided, because there is no possibility of "a real Christian Democrat catastrophe," and it is uncertain "whether the new political situation which is taking shape in the country will be ripe by 25 May." [REDACTED]

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Comment: In the 25 May local elections, the Christian Democrats are expected to suffer a large decrease in popular vote and to lose control of the municipal councils in many of the important cities of Southern Italy. Their chances of winning in Rome have recently been improved by an intensified campaign on the part of Catholic Action committees, according to the American Embassy.

The "Citizens' List" is composed of Communists, pro-Communist Socialists, and a group of non-Communist neutralists led by former Premier Nitti. Communist gains are expected to result less from the alliance with Nitti than from the party's reputation as protagonist of the workers.

17. Norway opposes adoption of COCOM restrictions on pyrites:
Norway continues to oppose the inclusion of pyrites on COCOM's

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International List II, which places quantitative restrictions on the export of certain goods to the Soviet Orbit. A Norwegian Foreign Office official told the American Ambassador that Norway did not intend to increase its exports of pyrites and would keep them to the minimum level necessary to obtain vital imports. He insisted, however, that the American proposal did not consider sufficiently such factors as the importance of maintaining export markets. (S Oslo 1002, 19 May 52)

Comment: Pyrites constitute an important item in Norwegian exports to Poland and Czechoslovakia. Norway's attitude towards controls has become less cooperative as COCOM discussions have involved List II items, such as aluminum, ferrochrome, and abrasives, in which Norway has a direct interest because of its trade agreements with the Soviet Orbit.

18. Sweden places embargo on re-export of strategic commodities to Eastern Europe: The Swedish Government has informally assured the United States that strategic goods imported into Sweden against a Swedish import permit will not be re-exported to the Soviet bloc. The US Embassy believes that no further guarantee will be necessary, except when there is reason to suspect a diversion to Eastern Europe before entry to Sweden. (S Stockholm 7118, 17 May 52)

Comment: Sweden's informal observance of International Lists I and II quotas has limited the export of domestic manufactured goods to Eastern Europe. This new assurance that commodities will not be re-exported by Swedish firms is a further assistance to the American program for controlling East-West trade.

LATIN AMERICA

19. Colombian Communists appraise guerrilla prospects: If Colombian guerrillas should unite, they reportedly could count on Communist support. According to Communist leaders, however, the Llanos guerrillas are the only ones now capable of positive action, and activity in other parts of the country is sporadic, uncoordinated, and incapable of delivering an effective blow.

Due to lack of arms, insufficient numerical strength

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and fear of being outlawed, Communist Party heads dare not aid guerrilla warfare at present. They prefer to await a better opportunity to join in acts of violence against the government. [REDACTED]

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Comment: Only in the Viota district of Cundinamarca has Communist cooperation with guerrillas been reported, and this is attributed to the local Communist leader rather than to party policy.

Communists have come to regard their position in Colombia as very precarious. Police vigilance under the state of siege has made regular meetings almost impossible and the party is faced with financial difficulties and increased Catholic opposition. Its political showing has also been poor. For these reasons Communists have sought Liberal support to form a "Democratic Front."

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WESTERN EUROPE

1. Signing of Allied-German contractual agreement may be deferred: Allied and German officials in Bonn now suggest that the contractual agreement be signed on 26 May instead of 24 May. This will allow an extra day for the tripartite and quadripartite deliberations which are to precede the signing ceremony.

Chancellor Adenauer is determined to reduce to the minimum the number of outstanding questions for quadripartite consideration. Aside from financial questions relating to the West German military contribution, those issues currently to be considered are the date when the contracts are to become effective, whether or not the Federal Republic will be permitted to manufacture guided missiles, and the title for the treaty as a whole. (S S/S Bonn 2936, 20 May 52)

Comment: This new deadline may not be met unless there is an early harmonization of opposing views on the financial question. Allied and German negotiators have not yet reached even the basic agreement which seems necessary before the Foreign Ministers can discuss the problem.

Another factor contributing to the uncertainty of the signing date is the possibility of a debate in the Bonn Parliament on 23 May, which may cause Chancellor Adenauer to spend vitally needed time defending the contracts.

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